

KENTUCKY DEPARTMENT OF EDUCATION

STAFF NOTE

Review Item:

Identification of District Watch List

Applicable Statute(s) or Regulation(s):

KRS 160.470 and 160.550

History/Background:

Existing Policy. As a part of the Office of District Support Services' Management Improvement Program, districts are expected to end the fiscal year with a general fund balance of no less than 2%. Districts with less than 2% are put on what has commonly been referred to as the "Watch List." The Watch List is not intended to be punitive, but rather is meant to ensure the district receives additional support from the Kentucky Department of Education (KDE) sufficient to return the district to a financially stable condition. Division of School Finance staff work with the superintendent and finance officer of the district to determine if the staffing patterns are sound and affordable and to help identify areas where either expenditures could be reduced or revenues increased.

For the year ended June 30, 2005, there are two Watch List districts - Jackson and Fulton Counties. Jackson County ended the year with a fund balance of 1.3%, while Fulton County's fund balance was 1.0%. Of great concern is the fact that Jackson County has now been on the Watch List for four (4) years.

Jackson County

In the chart below you will find trend data for Jackson County showing that the district has recovered somewhat from its fund balance at the end of 2003-04. However, without the provisions of the Biennial Budget allowing the district to use \$200,000 of Capital Outlay funds for facility maintenance and insurance and providing \$100,000 in state funds for the mandated salary increase, the district would have been deficit. Though certified staff declined by five, classified staff remained constant. The district's average daily attendance (ADA) continued to decline. A small graduating class in 2004-05 and preliminary enrollment numbers for 2005-06 signal that the district may have begun to recover some of its student population. While the district reduced expenditures and certified staff from 2003-04 to 2004-05, additional decreases may be needed for the district to become financially stable.

A follow-up of the 2003 Management Audit will be performed.

Jackson County	2003	2004	2005
Fund 1 Beg. Balance	133,754	251,989	89,411
Fund 1 Expenditures	11,441,297	11,664,448	11,342,947
Fund 1 Unrestricted Fund Balance	251,989	89,411	234,760
Total Expenditures	17,323,690	17,805,135	17,780,928
Fund 1 Balance as % of all Expenditures	1.45	0.50	1.32
Fund 1 Certified Full Time Equivalent (FTE)	162.6	163.1	154.8
All Certified FTE	203.0	204.0	199.0
Fund 1 Classified FTE	179.5	164.8	173.2
All Classified FTE	250.0	234.0	234.0
End of Year ADA	2,057.1	2,014.5	1,961.8

Fulton County

As the chart below shows, Fulton County has experienced a precipitous decline in fund balance from over \$800,000 at the end of June 2003, to less than \$500,000 at the end of 2004, to less than \$64,000 at the end of 2005. The district pared its General Fund classified staff by 17% in 2005, but its expenditures dropped by only 2%. The district's ADA has declined by 10% over the last two years.

A Management Audit will be performed to help the district identify areas where it might reduce costs.

Fulton County	2003	2004	2005
Fund 1 Beg. Balance	869,683	856,607	486,638
Fund 1 Expenditures	4,091,591	4,351,465	4,279,267
Fund 1 Unrestricted Fund Balance	863,766	486,638	63,866
Total Expenditures	6,052,628	6,508,377	6,264,448
Fund 1 Balance as % of all Expenditures	14.27	7.48	1.01
Fund 1 Certified FTE	59.2	57.9	59.9
All Certified FTE	76.0	74.0	75.0
Fund 1 Classified FTE	50.1	47.6	39.2
All Classified FTE	74.0	74.0	66.0
End of Year ADA	694.9	642.2	620.3

Impact on Getting to Proficiency:

Districts must be financially stable in order to support the movement toward proficiency.

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Commissioner of Education

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